

**House Committee on Education and the Workforce  
Subcommittee on Oversight and Investigations**

**April 29, 1998**

**Statement of Subcommittee Chairman Pete Hoekstra**

Good afternoon.

In the 1996 Teamsters presidential election, federal laws were broken, millions of taxpayers dollars were wasted, internal reformers were denied access to vital documents and punished for asking, rank and file Teamsters were threatened and intimidated, and the union's treasury was drained. The more we learn about all of these activities, the more amazed we are that such widespread corruption and abuse of power occurred under the direct supervision of the Executive Branch of the federal government.

To date, we have learned that three campaign consultants to Teamsters president Ron Carey, including Jere Nash, Michael Ansara and Martin Davis, have pleaded guilty to criminal charges. Earlier this week, a former senior Teamsters executive, Bill Hamilton, was indicted on multiple felony counts involving conspiracy, embezzlement and fraud. According to the indictment, Hamilton carried out those actions at the behest of -- and in coordination with -- the Democratic National Committee, laundering close to \$1 million.

So you might think that given all this, the Teamsters union and their compatriots in the Democratic party would have an interest in helping get to the bottom of this scandal and ensuring that it never happen again.

Instead, what we've gotten is a hard-nosed strategy of stonewalling, delay and obfuscation at the highest levels of these organizations. A clear pattern of cover-up is coming into focus. High-level officials within the Teamsters and the Democratic National Committee have done all in their power so far to thwart this investigation. Keep in mind that the people who are running the Teamsters today are the same people who ran the Teamsters in 1996 under Ron Carey. In a memo to Carey from former Carey campaign aide Jere Nash, which was included in court documents associated with his guilty plea, at least 29 employees of the IBT were implicated in improper campaign activity while working full time for the Teamsters. As you can see by the chart, many of these same individuals are still running the day to day operations of the Teamsters union. These activities aided Carey's campaign and may have been in violation of federal law.

It is no surprise, then, that the IBT has been less than forthcoming with vital documents which would aid this committee in its search for the truth.

But it gets worse. On top of all this, the Teamsters treasury has gone from net assets of more than \$150 million in 1991 to roughly \$700,000 as of last fall, at a time when revenues during that time exceeded \$600 million. Meanwhile, we have also heard testimony that the Teamsters pension fund reporting was manipulated in order to justify an "emergency levy" of dues from the rank and file.

So where did all this money go? We've heard testimony in this committee from Trustees of the IBT, elected to serve as watch-dogs for the rank-and-file's financial interests, who were frozen out of the process, intimidated, and ultimately, denied access to essential financial documents. The General Executive Board meetings, which the Trustees were elected to participate in, were recorded on audio tapes. We have subpoenaed these tapes, but like other important documents, they have been denied, even though we have offered to work with the IBT to allow an independent third party to review the tapes to exclude any content relating to union organizing activities. They have still refused to cooperate, which makes me wonder, what are they hiding?

Imagine the arrogance it takes for a union that has been under so-called "federal supervision" for almost ten years to thumb its nose at its own membership and the taxpayers like that. Given that the Teamsters receive at least \$1 million in other federal subsidies each year, I intend to do all I can to stop these payments unless the Teamsters cooperate with legitimate Congressional inquiries.

Tomorrow we hope to learn more about the involvement of the AFL-CIO when its president, John Sweeney, comes to testify before this subcommittee. Mr. Sweeney has graciously agreed to testify because his second ranking official at the AFL-CIO, Richard Trumpka, has taken the 5th Amendment and will not discuss his involvement in the money laundering scheme.

Today, we will hear from two federally-appointed officials with direct responsibility for making sure that widespread corruption does not continue, that internal controls and accountability are restored to the day to day operations of the Teamsters union, and to ensure that the upcoming election will be fair.

Our first witness is Mr. Marvin Levy, who serves as the Justice Department-appointed Independent Financial Auditor for the Teamsters. He is a managing director in the Litigation and Forensic Services division of KPMG Peat Marwick and a former FBI analyst. He was appointed to prevent the misuse of dues paid by rank and file Teamsters members. The cost for his services and the services of his staff are paid for by the IBT.

I look forward to hearing his testimony today because I am puzzled by Mr. Levy's role. The Interim Agreement guiding his role indicates Mr. Levy may veto financial decisions by the IBT that "...further fraud and abuse of IBT property." In other words, according to

his charter, he has unlimited access to all books, records and offices at the IBT and authority to approve or disapprove financial transactions. However, in a letter to this committee, Mr. Levy indicated that he interprets his role much more narrowly - only to review for adequate documentation. The decision to appoint Mr. Levy was touted as a major internal reform measure. I am concerned that in fact, it has become little more than another layer of bookkeeping. I hope I'm wrong.

On our second panel is Mr. Michael Cherkasky, current IBT election officer and president of Kroll Associates, which bills itself as "the world's leading business intelligence, investigative and risk mitigation firm." He has been assigned by the U.S. District Court for the Southern District of New York, with the following responsibilities: 1) Investigate the 1996 campaign of IBT presidential candidate James R. Hoffa, and 2) Supervise the upcoming IBT presidential election. As you may know, on April 27, 1998, Mr. Cherkasky cleared Mr. Hoffa's campaign of any serious wrongdoing and certified his slate to run in the new election.

Frankly, I am skeptical about the chances for a clean election. I hope I'm proved wrong. But in the course of this subcommittee's investigation so far, we have encountered nothing but delay and foot dragging from the Teamsters. The way this union, which has been under federal supervision for 10 years, has thumbed its nose at the American taxpayers and its own membership is shocking.

The American people, and the rank and file members of this union, deserve to know the truth. No one is above the law in this country, not even the International Brotherhood of Teamsters. The documents and audio tapes that have been subpoenaed by this subcommittee belong to the Teamsters rank and file, not to those who looted the union treasury.

It has been mentioned over and over that the net assets of the IBT have shrunk from \$154 million to almost zero. We need to remember that it is the individual members of this union - the rank and file -- who may have been cheated out of that money. It is not only the union members but their families who are relying on the integrity of Teamsters pension funds, and who need to know that those funds will be there for them.

So I look forward to this opportunity today to get a close look at the inner workings of the federal government's supervision of this troubled union.